

COMMENTS  
OF  
COLONIAL OIL INDUSTRIES, INC.

SUBMITTED TO THE  
DEPARTMENT OF ENERGY  
IN RESPONSE TO ITS  
REQUEST FOR COMMENTS  
ON  
“QUADRENNIAL ENERGY REVIEW”

OCTOBER 10, 2014

Colonial Oil Industries, Inc. of Savannah, Georgia hereby submits these comments to the Department of Energy as the Secretariat of the Quadrennial Energy Review Task Force. Colonial is an independent petroleum marketer that owns and/or operates three large terminal facilities in the Southeast.<sup>1</sup> Colonial believes that establishment of a refined petroleum product Reserve in this region of the country would most effectively minimize the vulnerabilities associated with the transportation and delivery of gasoline and diesel fuel following a hurricane or other major weather event hitting either the East Coast or the Gulf Coast.

## I. Background

As the Administration is well aware, the Strategic Petroleum Reserve (“SPR”) was established pursuant to the Energy Policy and Conservation Act to store crude oil and petroleum products that could be used to minimize the impact on the United States of petroleum supply disruptions. The SPR serves as an “insurance policy” during periods of crisis. In 2000, a separate Northeast Heating Oil Reserve was established solely to address disruptions/shortages for that product, and the Reserve was placed strategically in the region of the country most dependent on that fuel.

In 2005, Hurricanes Katrina and Rita struck the Gulf Coast and closed U.S. refining centers in the region for several weeks. Supplies of gasoline and diesel fuel were in short supply, and those shortages resulted in significant hardships to consumers and businesses and in billions of dollars in costs to the U.S. economy. A similar situation occurred when Super Storm Sandy hit the New York and New Jersey area in 2012. The petroleum distribution system could not function following the storm, and consumers, commercial operations and the economy generally were devastated in large part because of the unavailability of critical petroleum products. As soon as the storm hit, product prices spiked, and while the market adjusted within several weeks to a month, prices remained high.

## II. The First Product Reserve – A Good First Step

This Spring, DOE concluded that a Product Reserve could effectively address these problems and placed the first such Reserve in the Northeast – one half of the Reserve would be located in New York Harbor and the second half in New England. The creation of the Northeast Gasoline Reserve and coordination with the existing distillate Reserve are prudent measures – a good first step. However, such a reserve is equally important in the Southeast. It is essential that the Administration take the next step and establish a similar reserve in the Southeast to protect the citizens and economy of that region and portions of the Gulf Coast.

---

<sup>1</sup> Colonial Oil Industries owns and operates storage in the region. Colonial is a family-owned business doing business in the Southeast since 1921. It operates and/or controls three large petroleum terminals in the Southeast. The combined storage capacity at all three terminals constitutes the largest petroleum storage operation in the region.

### III. Southeast Product Reserve Would Have a Broader Reach

Hurricanes and other severe storms hit the Southeast and the Gulf Coast with regularity. Over the past 25 years, these storms include Hurricane Andrew, Hugo, Charley, Katrina, Rita, Wilma, and Ike. All caused great destruction and disruption of energy infrastructure and fuel distribution. In light of the same problems that faced the Northeast in 2012, a refined petroleum product reserve located in the Southeast would serve the same purpose. It would provide a strategic and effective means of responding rapidly to such disasters.

Indeed, Colonial Oil is uniquely situated to meet these objectives. The Company operates three large product terminals – Charleston, Savannah and Jacksonville. Operations are coordinated; and if one facility could not function during a storm, product from the other two could be shipped within hours to consumers in the area hit by the storm.

However, the primary reason for establishing a Southeast Product Reserve is to provide protection for the Gulf Coast and Northeast refining centers. In fact, following a storm, the Reserve could be called on to supply by truck not only the Southeast but far reaching cities including Miami, Pensacola, Tampa, St. Petersburg, Mobile, Montgomery, and Chattanooga – all within roughly 3 to 6 hours. Product could also move north by truck, barge or ship — whatever is warranted. A map showing the three terminals and a “coverage chart” indicating the driving times to various cities are attached.

In addition, a Southeast Product Reserve could provide emergency relief if anything happened to either the Colonial or Plantation Pipelines. By maintaining the Reserve along the coast, motor fuels could easily and quickly be moved inland by truck to feed the lines and to allow product to continue to supply the Southeast and the Northeast markets.

Some believe that the crude oil stored in the SPR can address all supply shortages. The crude reserve certainly serves an important purpose; however, that system does not have the capability to respond as quickly as a Product Reserve with gasoline and diesel strategically located. Moreover, **rapid distribution exerts downward pressure on prices and prevents price spikes that are so damaging to the economy.**

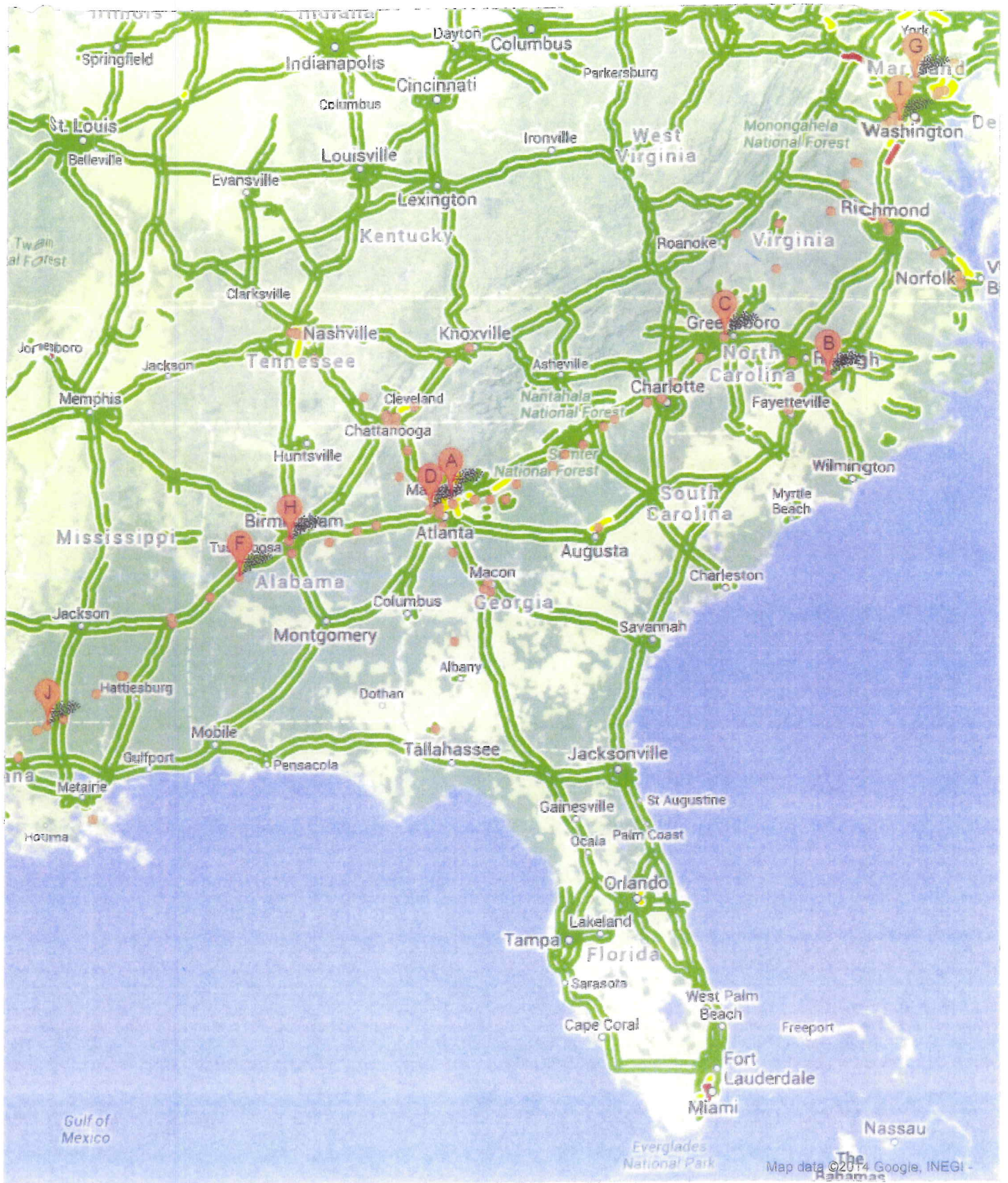
### IV. Establishment of a Southeast Product Reserve is Consistent with Goals of QER

When the President issued the Presidential Memorandum – Establishing a Quadrennial Energy Review (“QER”), he made clear that QER is to identify challenges facing the nation’s infrastructure for transporting, transmitting, storing and delivering energy, and to determine how best to address those challenges. The Administration has already identified supply vulnerabilities following a hurricane or other major storm and

has recognized the need for the efficient distribution of refined product during these periods of crisis. Accordingly, it should now recognize the need for and the benefits of a Product Reserve in the Southeast to serve that area directly and to replace production on the Gulf or East Coast if either refinery center could not function. As climate change increases the frequency of such storms and related disasters, a Southeast Product Reserve would significantly enhance the resiliency of this important region of the country and beyond.

Thank you.

Attachments





## COVERAGE AREA

			Miles	Time
<b>Jacksonville</b>				
	Miami	Florida	346	5:14
	Pensicola	Florida	357	5:17
	Tampa	Florida	198	3:19
	St. Petersburg	Florida	219	3:40
	Mobile	Alabama	403	6:00
	Montgomery	Alabama	368	5:54

<b>Savannah</b>				
	Montgomery	Alabama	334	5:24
	Birmingham	Alabama	393	6:05
	Columbus	Georgia	249	4:07
	Dalton	Georgia	336	5:07
	Chattanooga	Tennessee	364	5:38
	Asheville	North Carolina	310	4:42

<b>Charleston</b>				
	Knoxville	Tennessee	372	5:50
	Asheville	North Carolina	267	4:05
	Winston - Salem	North Carolina	285	4:29
	Greensboro	North Carolina	273	4:33
	Durham	North Carolina	303	4:36
	Raleigh	North Carolina	279	4:16
	Boone	North Carolina	301	4:57
	Edenton	North Carolina	391	5:59
	Danville	Virginia	316	5:18